Financial Section

ISUZU MOTORS LIMITED
ANNUAL REPORT 2007

Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	2007
For the Year:						
Net sales	**¥1,662,925**	¥1,581,857	¥1,493,567	¥1,430,339	¥1,349,449	**$ 14,068,620**
Cost of sales	**1,413,402**	1,347,861	1,268,483	1,214,763	1,171,366	**11,972,914**
Gross profit	**249,523**	233,996	225,083	215,576	178,083	**2,113,706**
Selling, general and administrative expenses	**142,542**	143,334	137,869	131,085	162,621	**1,207,474**
Operating income	**106,980**	90,661	87,214	84,490	15,462	**906,231**
Income (loss) before extraordinary items	**114,697**	93,843	91,555	81,678	(4,200)	**971,598**
Income (loss) before income taxes	**107,483**	79,625	68,767	55,357	(111,527)	**910,491**
Net income (loss)	**92,394**	58,956	60,037	54,713	(144,301)	**782,670**
At Year-End:						
Total assets	**¥1,232,181**	¥1,168,697	¥1,142,580	¥1,077,816	¥1,028,844	**$ 10,437,792**
Shareholders' equity	**389,061**	244,350	158,463	109,753	26,434	**3,295,734**

Non-Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	2007
For the Year:						
Net sales	**¥ 973,884**	¥ 917,895	¥ 880,072	¥ 890,336	¥ 760,608	**$ 8,249,759**
Cost of sales	**813,229**	753,078	728,369	730,395	656,576	**6,888,857**
Gross profit	**160,654**	164,816	151,702	159,941	104,032	**1,360,901**
Selling, general and administrative expenses	**99,163**	111,309	91,135	92,945	90,904	**840,011**
Operating income	**61,491**	53,506	60,566	66,995	13,128	**520,890**
Income (loss) before extraordinary items	**68,273**	64,149	53,907	57,561	4,880	**578,341**
Income (loss) before income taxes	**69,111**	47,122	22,345	32,221	(146,966)	**585,439**
Net income (loss)	**68,325**	46,476	27,019	38,857	(189,447)	**578,786**
At Year-End:						
Total assets	**¥ 899,783**	¥ 867,698	¥ 812,521	¥ 808,674	¥ 717,601	**$ 7,622,052**
Shareholders' equity	**292,807**	231,289	169,353	151,722	82,743	**2,480,371**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.05=US$1; the approximate exchange rate prevailing on the Foreign Exchange Market on March 30, 2007.

Management's Discussion and Analysis of Financial Condition and Results of Operation

The following provides an analysis of the financial condition and results of operation in fiscal 2007. (The following information contains forward-looking statements that reflect the judgment of management as of June 28, 2007).

1. Significant accounting policies and estimates

The consolidated financial statements of the Isuzu Group are prepared in accordance with the generally accepted accounting principles of Japan. In the preparation of these statements, the amounts recorded for items including bad debt allowance, inventory, investments, income taxes, retirement benefits, and provisions for product warranties are estimates that reflect the judgment of management. Due to the uncertain nature of estimates, in some cases actual results may vary from initial estimates, and this may have a negative impact on business results.

2. Results of operations

A. Overview of fiscal 2007

Results of operation in fiscal 2007 reflect how expanding sales in overseas markets combined with rationalization in material costs and other areas to offset increases in expenses associated with Isuzu's aggressive research and development investment program, which is designed to facilitate future growth, as well as other factors such as increases in raw materials prices. Sales of ¥1,662,925 million (up 5.1% from the previous year), operating income of ¥106,980 million (up 18.0% from the previous year), working income of ¥114,697 million (up 22.2% from the previous year), and net income of ¥92,394 million (up 56.7% from the previous year) reflect record profitability in operating income, working profit, and net income.

B. Sales

In fiscal 2007, Isuzu's consolidated-basis sales rose 5.1% from the previous year to ¥1,662,925 million.

In the domestic commercial vehicle market, demand for standard trucks fell slightly to 105,428 (down 0.1% from the previous year), while demand for 2-3 ton trucks grew slightly to 120,830 units (up 3.2% from the previous year). Replacement demand for vehicles compliant with new NOx and particulate matter (PM) emissions regulations began tapering off in the second half of the fiscal year, and the market environment is growing more competitive. In this environment, Isuzu was able to continue to maintain high market share through the introduction of products with superior fuel efficiency and economy as well as group-wide sales initiatives, capturing 29.3% of the standard truck market (up 0.5% from the previous year) and 39.0% of the 2-3 ton truck market (down 0.7% from the previous year). As a result, domestic sales grew 1.4% to ¥694,631 million.

Sales in Asia grew 3.2% from the previous fiscal year to ¥456,408 million on brisk sales of pickup trucks in the ASEAN region. In the Thai market, where pickup trucks account for around 60% of the total, Isuzu Group pickup trucks captured a 39% market share, sustaining steady sales growth in the face of intensifying competition.

North American sales fell 4.2% to ¥175,379 million as Isuzu pursued sales activities that emphasized the slimming of its SUV business.

Sales to other regions ballooned 23.9% to ¥336,506 million due primarily to expanding sales in resource-rich regions such as the Middle East and South America as a result of an aggressive drive to open up new markets.

C. Operating income

Operating income in fiscal 2007 hit a record ¥106,980 million, up 18.0% from a year earlier. Rationalization including material cost reductions contributed ¥14,800 million; differences in product categories and sales fluctuations due to improved sales, primarily overseas, added ¥12,700 million; and exchange rate fluctuations contributed ¥5,400 million. Offsetting these were ¥12,100 million in economic fluctuations such as increased raw material prices and costs of ¥4,500 million associated with launching redesigned models.

Looking at each of Isuzu's key business areas, operating income at the parent company rose ¥7,985 million over the previous year to ¥61,491 million on expanding sales in overseas markets and the company's success in offsetting the negative effects of increasing raw materials prices through rationalization in areas such as material costs.

Consolidated sales subsidiaries in Japan posted an operating income of ¥4,300 million, down ¥100 million from the previous year. Faced with slightly lower income due to continuing intense competition, consolidated sales subsidiaries in Japan are steadily building an ability to secure profit through service and other businesses that are less exposed to the fluctuations of new vehicle sales.

In North America, operating income fell ¥300 million compared to the previous year to ¥4,800 million on lower SUV sales.

In the ASEAN region, operating income was ¥22,100 million, up ¥1,100 million from the previous year due to continued brisk sales of pickup trucks in Thailand.

(The figures shown for each of Isuzu's key business areas above reflect the simple addition of the profits and losses of the parent company and consolidated subsidiaries, grouped according to the characteristics of each unit.)

As a result, Isuzu's operating margin posted a significant increase of 5.7% to 6.4% in the current consolidated fiscal year.

Additionally, Isuzu was able to meet the sales (¥1,600,000 million) and operating income (¥100,000 million) targets set for the fiscal year ending March 2008 by the Mid-term Business Plan, adopted in 2004, one year early.

D. Non-operating gains/losses

In fiscal 2007, Isuzu posted a non-operating profit of ¥7,716 million, an increase of ¥4,535 million from the previous year.

Growth in equity-method investment profit of ¥1,667 million to ¥12,340 million was primarily due to significantly higher shipments by U.S. engine manufacturing affiliates, to which equity-method accounting is applied.

Progress in reducing interest-bearing debt and reviewing borrowing interest rates resulted in a net interest (interest and dividends received minus interest paid) loss of ¥4,412 million, an improvement of ¥3,011 million compared to the previous year.

E. Extraordinary gains/losses

In fiscal 2006, Isuzu posted an extraordinary loss of ¥14,218 million associated with the disposal of fixed assets and additional losses incurred in the dismantling of the former Kawasaki plant, service warranty expenses on RV products, and fixed asset impairment losses. In fiscal 2007, the extraordinary loss improved ¥7,005 million to ¥7,213 million. Extraordinary gains included profit from the proxy portion of returned employees' pension funds, while extraordinary losses included the disposal of fixed assets, additional losses associated with the dismantling of the former Kawasaki plant, and fixed asset impairment losses.

F. Taxes

Isuzu's net tax expense in fiscal 2006 including corporate income taxes, municipal taxes, and business taxes as well as deferred corporate income taxes was ¥15,447 million. In fiscal 2007, the net tax expense was ¥7,819 million, reflecting a large reduction in deferred income taxes.

G. Minority interests

Minority interests consist primarily of profits returned to the minority shareholders of Isuzu's locally incorporated subsidiaries in the ASEAN region and North America and its Japanese parts manufacturers. Minority interests in fiscal 2007 increased to ¥7,270 million, compared to ¥5,222 million in fiscal 2006.

H. Net profit

Net profit in fiscal 2007 was ¥92,394 million, an increase of ¥33,438 million from the previous year. Earnings per share came to ¥64.83 and fully diluted earnings per share to ¥51.54.

3. Financial condition

A. Cash flow

Isuzu generated consolidated-basis cash and cash equivalents ("net cash") of ¥140,363 million in fiscal 2007, up ¥33,868 million from the previous year. Despite aggressive capital investment and repayments of interest-bearing debt, net cash increased significantly as a result of the ¥114,478 million cash flow provided by operating activities in the face of record-setting profits.

Cash flow from operating activities

Net cash provided by operating activities increased 38.8% to ¥114,478 million, growing by ¥32,030 million compared to fiscal 2006 due to an increase in net profit before tax and other adjustments, a reduction in inventory, and increases in dividends received from equity-method affiliates.

Cash flow from investing activities

Net cash used in investing activities increased 60.2% to ¥33,760 million, reflecting an aggressive program of capital investment in Japan and Thailand designed to lay the groundwork for future growth under the Mid-term Business Plan. As a result, expenditures associated with fixed asset purchases increased ¥13,034 million from the previous year to ¥49,340 million.

Cash flow from financing activities

Net cash used in financing activities decreased 49.6% to ¥49,128 million. In fiscal 2006, Isuzu repaid a significant amount of interest-bearing debt and redeemed the entire ¥40,000 million balances on a previous convertible bond issue before maturity. Although net cash used in fiscal 2007 fell ¥48,365 million compared to the previous year, Isuzu continued to pay off interest-bearing debt by utilizing cash flow provided by operating activities.

B. Assets

As of March 31, 2007, combined consolidated assets totaled ¥1,232,181 million, an increase of ¥63,484 million from the previous year.

The main factors contributing to this increase were cash and deposits (up ¥25,494 million from ¥108,642 million to ¥134,136 million), notes and accounts receivable (up ¥19,713 million from ¥252,441 million to ¥272,154 million), tangible fixed assets (up ¥16,231 million from ¥474,264 million to ¥490,495 million), and investment securities (up ¥10,012 million from ¥95,229 million to ¥105,241 million). The increase in cash and deposits is primarily attributable to cash flow from operating activities, while the increase in notes and accounts receivable is primarily due to an increase in accounts receivable at Isuzu and its locally incorporated subsidiaries in the ASEAN region. The increase in tangible fixed assets is primarily due to capital investment, and the increase in investment securities to equity method income.

Long-term loans receivable decreased significantly (down ¥11,249 million from ¥15,404 million to ¥4,155 million), primarily due to equity method affiliates settling loans extended to them by the parent company.

C. Liabilities

Total liabilities at March 31, 2007 decreased ¥54,410 million from the previous year to ¥843,119 million. Interest-bearing liabilities (total of short-term borrowing, corporate bonds, and long-term borrowing) decreased ¥52,432 million from ¥349,659 million to ¥297,227 million. We continued to use net cash provided by operating activities to repay Group borrowing, particularly its own.

D. Capital

Capital (excluding minority shareholders' equity) grew ¥97,693 million in fiscal 2007 to ¥342,043 million.

The primary causes of this increase were net profit of ¥92,394 million in fiscal 2007 and an improvement in the foreign exchange adjustment account due to the weakening of the Japanese yen against major currencies.

As a result, Isuzu's equity ratio improved 6.9 percentage points from a year earlier to 27.8%.

The acquisition as treasury stock of outstanding Class III preferred stock and Class IV preferred stock that had been issued as part of Isuzu's financial reconstruction program was approved by the 105th Shareholders' Meeting and the Board of Directors, both meeting on June 28, 2007. This measure will eliminate all remaining preferred stock, signaling the completion of the reconstruction process in both name and reality.

Risks

There are certain risks that could have a significant impact on our earnings results, financial condition, and other information contained in the annual securities report, or share prices, and these risks are outlined below. (The following information includes forward-looking statements that reflect the judgment of management as of June 28, 2007.)

1. Economic situation/supply and demand trends in Isuzu's major markets

Vehicles account for an important portion of the Isuzu Group's worldwide operating revenue, and demand for these vehicles is affected by the economic situation in the various countries and regions where Isuzu sells vehicles. Therefore, economic recession and an ensuing decline in demand in the Group's major markets—Japan, North America, and other Asian countries—could have a negative impact on the Group's performance and financial position. Price competition also entails the risk of price fluctuation for Isuzu products.

2. Interest rate fluctuations

The Isuzu Group has tightened its cash flow management and continues to concentrate on shrinking interest-bearing debt. In fiscal 2007 Isuzu allocated profit from business operations and other funds to the reduction of interest-bearing debt, the balance of which stood at ¥297,227 million at the end of the year, a reduction of ¥52,432 million from the previous year. The Group remains vulnerable to the risk of higher interest payments having a negative impact on its performance and financial position should market rates rise sharply.

3. Foreign exchange fluctuations

The business of the Isuzu Group includes manufacturing and marketing products in several regions around the world. Local currency amounts for sales, expenses, assets, and other items are therefore converted into Japanese yen in the preparation of Isuzu's consolidated financial statements. Depending on the exchange rate in effect at the time of conversion, the yen amount for these items may change even if the underlying local currency value has not changed. Moreover, because foreign exchange fluctuations influence the prices paid by the Group for raw materials denominated in foreign currencies as well as the pricing of the products the Group sells, they may have a negative impact on the Group's performance and financial position. Generally, a strengthening of the yen relative to other currencies has a negative impact on the Group's business, and a weakening of the yen has a positive impact.

4. Dependence on General Motors Corporation and other major customers

The Isuzu Group supplies vehicle components to General Motors Corporation (Detroit, MI) and its affiliates as well as to other vehicle manufacturers. Sales to these customers are affected by fluctuations in production and sales at these customer companies and other factors over which the Isuzu Group has no control, and therefore they could have a negative impact on the Group's performance and financial position.

5. Suppliers and other providers of parts, materials, etc.

The Isuzu Group sources the raw materials, components, and products required for production from outside suppliers. Should supply-demand conditions significantly exceed suppliers' capacity, it is possible that Isuzu may be unable to source these items in sufficient volume. Shortage or delays in the supply of parts and other materials could have a negative impact on the Group's performance and financial position. It is also possible that a tight supply-demand situation would result in price increases for raw materials and other supplies, which could also have a negative impact on the Group's performance and financial position by triggering rising costs if the increases cannot be absorbed internally, for example through improved productivity, or passed on to sales prices.

6. Product defects

At its plants both inside and outside Japan, the Isuzu Group manufactures products according to the strictest globally accepted quality control standards. However, in the unusual event of a large-scale recall or product liability award (the Group is covered by product liability insurance, but in the case of costs exceeding insurance coverage), there could be a negative impact on the Group's performance and financial position.

7. Joint ventures

The Isuzu Group engages in business in some countries in the form of joint ventures due to legal and other requirements in those countries. Changes in the management policy, operating environment, etc., of these joint ventures could affect their performance, which could in turn produce a negative impact on the Group's performance and financial position.

8. Disasters, power outages, and other interruptions

The Isuzu Group regularly conducts disaster prevention inspections and facilities examinations at all its sites in order to minimize the potential of a negative impact due to an interruption in the manufacturing process. However, the Group may not be able to completely eliminate or minimize the impact that would arise from a disaster, power outage, or other interruption during the manufacturing process.

9. Securities investments

The Isuzu Group invests in securities to produce, sell, and distribute its products as well as to build and maintain good relationships with its business partners. For marketable securities, a downturn in share prices could have a negative impact on the Group's performance and financial position. Isuzu provides management guidance and advice to companies—including those in which it has invested through non-marketable securities—that can have a strong influence on its own business results. However, if the financial condition of the companies in which Isuzu has invested were to deteriorate due to factors such as a worsening business environment, this could have a negative impact on the Group's performance and financial position.

10. Retirement obligations and deferred tax assets

The figures recorded for "retirement obligations" and "deferred tax assets" are estimates that reflect the judgment of management. Due to the uncertain nature of estimates, in some cases actual results may vary from initial estimates, and this could have a negative impact on the Group's performance and financial position.

11. Potential risks associated with international activities and foreign ventures

The Isuzu Group conducts some of its manufacturing and marketing activities outside of Japan, in the U.S. and in developing and emerging markets in Asia. The following risks are inherent in such overseas business development and could have a negative impact on the Group's performance and financial position:

- Unfavorable changes in the political or business climate
- Difficulties in recruiting and retaining personnel
- Inadequate technological infrastructure could have a negative impact on the Group's manufacturing activities or its customers' support of its products and services
- Potential negative tax consequences
- Social unrest stemming from terrorism, war, or other factors

12. Limits on intellectual property protection

The Isuzu Group has accumulated technology and expertise that differentiates it from its rivals; however, in certain regions due to legal restrictions the Group is unable to fully protect, or can only partly protect, its proprietary technology and expertise through intellectual property rights. As a result, the Group may be unable to effectively prevent third parties from using its intellectual property to make similar products.

13. Legal requirements

The Isuzu Group is subject to various government regulations in the countries in which it does business, such as business and investment approvals, statutes related to national security, tariffs, and other import and export regulations. The Group is also subject to legal requirements concerning areas such as commerce, antitrust, patents, consumer rights, taxation, foreign exchange, environmental preservation, recycling, and safety. Unexpected changes in these regulations could have a negative impact on the Group's performance and financial position. Exhaust emissions regulations are generally being tightened amid growing environmental awareness. Since substantial investment is required to comply with these regulations, failure to generate sufficient sales to recover this investment could have a negative impact on the Group's performance and financial position.

14. Preferred shares

Isuzu issued preferred shares on December 26, 2002. These shares could be exchanged for common shares at some time in the future, and this could result in the dilution of existing common shares.

Consolidated Balance Sheets (As of March 31, 2007, 2006 and 2005)

	Millions of yen			Thousands of U.S. dollars
Assets	2007	2006	2005	2007
Current Assets:				
Cash and time deposits (Note 2, 4)	**¥ 134,136**	¥ 108,642	¥ 139,357	**$ 1,136,269**
Receivables:				
Notes and accounts (Note 4)	**272,154**	252,441	248,744	**2,305,415**
Less : allowance for doubtful receivables	**(2,947)**	(3,393)	(5,055)	**(24,970)**
Inventories	**133,083**	137,754	124,526	**1,127,347**
Deferred taxes (Note 6)	**34,312**	27,632	28,480	**290,662**
Other current assets	**34,481**	31,063	32,162	**292,095**
Total Current Assets	**605,221**	554,141	568,215	**5,126,819**
Investments and Advances:				
Investments (Note 3, 4):				
Unconsolidated subsidiaries and affiliated companies	**71,947**	58,652	36,537	**609,468**
Others	**33,293**	36,576	28,801	**282,027**
Long-term loans	**4,155**	15,404	22,291	**35,201**
Deferred taxes (Note 6)	**7,358**	6,369	8,576	**62,336**
Other investments and advances	**20,109**	29,218	32,859	**170,348**
Less : allowance for doubtful accounts	**(10,073)**	(15,107)	(20,983)	**(85,330)**
Total Investments and Advances	**126,791**	131,114	108,084	**1,074,051**
Property, Plant and Equipment (Note 4)				
Land	**270,884**	267,687	267,868	**2,294,662**
Buildings and structures	**236,045**	229,744	216,436	**1,999,542**
Machinery and equipment	**586,405**	595,752	573,951	**4,967,435**
Construction in progress	**13,556**	18,365	7,473	**114,837**
Less : accumulated depreciation	**(616,397)**	(637,286)	(607,114)	**(5,221,494)**
Net Property, Plant and Equipment	**490,495**	474,264	458,613	**4,154,983**
Other Assets	**9,672**	9,177	7,666	**81,937**
Total Assets	**¥ 1,232,181**	¥ 1,168,697	¥ 1,142,580	**$ 10,437,792**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen 2007	2006	2005	Thousands of U.S. dollars 2007
Current Liabilities:				
Bank loans	**¥ 75,154**	¥ 91,971	¥ 151,513	**$ 636,632**
Current portion of bonds	**3,410**	—	—	**28,886**
Notes and accounts payable	**309,713**	297,370	278,511	**2,623,580**
Accrued expenses	**61,561**	61,172	54,045	**521,483**
Accrued income taxes (Note 6)	**7,921**	10,933	10,588	**67,105**
Deposits received	**2,738**	3,768	11,206	**23,196**
Other current liabilities	**25,750**	32,043	36,053	**218,131**
Total Current Liabilities	**486,249**	497,260	541,918	**4,119,016**
Long-Term Debt (Note 4)	**218,663**	257,688	297,591	**1,852,294**
Accrued Retirement and Severance Benefits (Note 5)	**57,320**	62,257	60,057	**485,562**
Deferred Tax Liabilities (Note 6)	**9,545**	9,455	4,693	**80,858**
Deferred Tax Liabilities Related to Land Revaluation (Note 9)	**55,827**	55,827	49,571	**472,912**
Other Long-Term Liabilities	**15,513**	15,040	16,096	**131,412**
Contingent Liabilities (Note 10)				
Net Assets				
Shareholders' Equity :				
Common stock and preferred stock (Note 7, 8)	**40,644**	40,644	32,617	**344,302**
Preferred stock:				
Class I-authorized 37,500,000 shares; issued 37,500,000 shares in 2006 and 2005				
Class III-authorized 25,000,000 shares; issued 25,000,000 shares in 2007, 2006 and 2005				
Class IV-authorized 25,000,000 shares; issued 25,000,000 shares in 2007, 2006 and 2005				
Common stock:				
Authorized 3,369,000,000 shares in 2007, 2006 and 2005				
Issued 1,696,845,339 shares in 2007, 1,141,289,786 shares in 2006,				
1,073,619,832 shares in 2005				
Capital surplus (Note 7)	**50,427**	50,427	42,435	**427,171**
Retained earnings	**156,467**	68,689	10,460	**1,325,431**
Less: treasury stock, at cost 1,429,689 common shares in 2007	**(334)**	(229)	(220)	**(2,831)**
Total Shareholders' Equity	**247,205**	159,532	85,293	**2,094,072**
Accummulated gain (loss) from revaluation and translation adjustments				
Unrealized holding gain on securities	**12,319**	15,014	8,324	**104,354**
Unrealized holding gain on hedging activities	**39**	—	—	**330**
Variance of land revaluation (Note 9)	**73,981**	74,138	77,791	**626,694**
Foreign currency translation adjustments	**8,498**	(4,334)	(12,946)	**71,989**
Total accummulated gain (loss) from revaluation and translation adjustments	**94,837**	84,818	73,169	**803,368**
Minority interests	**47,018**	26,816	14,188	**398,293**
Total Net Assets	**389,061**	271,167	172,652	**3,295,734**
Total Liabilities and Net Assets	**¥ 1,232,181**	¥ 1,168,697	¥ 1,142,580	**$ 10,437,792**

Consolidated Statements of Income (For the years ended March 31, 2007, 2006 and 2005)

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Net Sales	**¥ 1,662,925**	¥ 1,581,857	¥ 1,493,567	**$ 14,086,620**
Cost of Sales	**1,413,402**	1,347,861	1,268,483	**11,972,914**
Gross Profit	**249,523**	233,996	225,083	**2,113,706**
Selling, General and Administrative Expenses (Note 5)	**142,542**	143,334	137,869	**1,207,474**
Operating Income	**106,980**	90,661	87,214	**906,231**
Other Income (Expenses):				
Interest and dividend income	**3,980**	3,129	3,002	**33,718**
Interest expense	**(8,391)**	(10,551)	(12,564)	**(71,088)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**12,340**	10,673	15,811	**104,538**
Others, net	**(212)**	(69)	(1,909)	**(1,801)**
Income before Extraordinary Items	**114,697**	93,843	91,555	**971,598**
Extraordinary Items:				
Gain (Loss) on sales or disposal of property, plant and equipment, net	**(4,315)**	(3,927)	(12,377)	**(36,555)**
Gain on sales of investments	**108**	212	5,807	**918**
Gain on settlement of North America project	**—**	4,897	—	**—**
Gain on dissolution of employee's pension funds (Note 2)	**685**	1,391	—	**5,806**
Gain on transfer of the substitutional portion of the employee's pension funds (Note 2, 5)	**2,531**	—	—	**21,448**
Loss on revaluation of investments	**(1,094)**	(1,079)	(6,056)	**(9,270)**
Loss on restructuring of domestic subsidiaries & affiliates	**—**	(933)	(5,573)	**—**
Dismantlement and other cost on former Kawasaki Factory	**(1,534)**	(5,257)	—	**(12,995)**
Special warranty cost	**—**	(3,247)	—	**—**
Impairment loss on fixed assets (Note 12)	**(1,000)**	(2,600)	—	**(8,475)**
Others, net	**(2,594)**	(3,673)	(4,586)	**(21,981)**
Income before Income Taxes and Minority Interests	**107,483**	79,625	68,767	**910,491**
Income Taxes (Note 6):				
Current	**14,260**	12,891	14,648	**120,802**
Deferred	**(6,441)**	2,555	(8,403)	**(54,567)**
Minority Interests in Income of Consolidated Subsidiaries	**7,270**	5,222	2,484	**61,585**
Net Income	**¥ 92,394**	¥ 58,956	¥ 60,037	**$ 782,670**

	Yen			U.S. dollars
Per Share of Common Stock				
Net Income				
Basic	**¥ 64.83**	¥ 48.75	¥ 56.64	**$ 0.55**
After dilution of potential stock	**51.54**	31.67	25.79	**0.44**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Change in Net Assets (Note 7) (For the years ended March 31, 2007, 2006 and 2005)

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized holding gain on land revaluation	Unrealized gain on hedging activities	Foreign currency translation adjustments	Minority interests
Balance at March 31, 2004	67,564	67,461	(111,058)	(168)	7,518	90,485	—	(12,049)	3,132
Cash dividends									
Reversal of unrealized holding gain and loss on land revaluation			12,565						
Net income			60,037						
Exercise of stock acquisition right	25,053	24,946							
Reduction of capital	(60,000)								
Reduction of capital reserve		(50,000)	50,000						
Disposal of treasury stock		27							
Acquisition of treasury stock				(51)					
Changes in the scope of consolidation			(867)						
Changes in the scope of equity method			(200)						
Net changes on items other than shareholders' equity					806	(12,694)		(896)	11,055
Balance at March 31, 2005	32,617	42,435	10,460	(220)	8,324	77,791	—	(12,946)	14,188
Cash dividends			(2,614)						
Reversal of unrealized holding gain and loss on land revaluation			(688)						
Net income			58,956						
Exercise of stock acquisition right	8,027	7,972							
Disposal of treasury stock		18							
Acquisition of treasury stock				(9)					
Changes in the scope of consolidation			2,726						
Changes in the scope of equity method			(150)						
Net changes on items other than shareholders' equity					6,689	(3,652)		8,611	12,628
Balance at March 31, 2006	40,644	50,427	68,689	(229)	15,014	74,138	—	(4,334)	26,816
Cash dividends			(4,428)						
Reversal of unrealized holding gain and loss on land revaluation			156						
Net income			92,394						
Acquisition of treasury stock				(104)					
Changes in the scope of consolidation			(371)						
Changes in the scope of equity method			26						
Net changes on items other than shareholders' equity					(2,694)	(157)	39	12,832	20,201
Balance at March 31, 2007	40,644	50,427	156,467	(334)	12,319	73,981	39	8,498	47,018

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized holding gain on land revaluation	Unrealized gain on hedging activities	Foreign currency translation adjustments	Minority interests
Balance at March 31, 2006	344,302	427,171	581,870	(1,945)	127,183	628,027	—	(36,717)	227,164
Cash dividends			(37,513)						
Reversal of unrealized holding gain and loss on land revaluation			1,322						
Net income			782,670						
Acquisition of treasury stock				(885)					
Changes in the scope of consolidation			(3,142)						
Changes in the scope of equity method			224						
Net changes on items other than shareholders' equity					(22,829)	(1,333)	330	108,706	171,128
Balance at March 31, 2007	344,302	427,171	1,325,431	(2,831)	104,354	626,694	330	71,989	398,293

Consolidated Statements of Cash Flows (For the years ended March 31, 2007, 2006 and 2005)

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Cash Flows from Operating Activities				
Net income before income taxes and minority interests	¥ 107,483	¥ 79,625	¥ 68,767	$ 910,491
Depreciation and amortization	27,922	24,672	27,170	236,529
Equity in earnings of unconsolidated subsidiaries and affiliates	(12,340)	(10,673)	(15,811)	(104,538)
Provision for retirement benefits, less payments	(5,081)	708	(2,209)	(43,047)
Provision for allowance for product warranty	(648)	1,533	(1,098)	(5,492)
Provision for bonus accounts	1,474	1,660	1,032	12,486
Provision for allowance for doubtful accounts	(1,006)	(2,029)	8,361	(8,522)
Interest and dividend income	(3,980)	(3,129)	(3,002)	(33,718)
Interest expenses	8,391	10,551	12,564	71,088
Gain on disposal of property assets	(1,327)	(4,383)	(3,211)	(11,244)
Loss on disposal of property assets	5,642	8,311	15,589	47,800
Gain (loss) on sales of securities, net	260	(203)	(5,300)	2,202
Loss on impairment of fixed assets	1,000	2,600	—	8,475
Other extraordinary loss	1,029	826	1,409	8,718
Decrease (Increase) in receivable	(2,506)	8,338	(31,466)	(21,229)
Decrease (Increase) in inventories	2,969	(11,321)	(8,836)	25,156
Decrease (Increase) in other current assets	6,924	563	(2,504)	58,653
Increase (Decrease) in notes and accounts payable	(630)	8,359	17,721	(5,343)
Increase (Decrease) in accrued expenses and taxes	(4,586)	2,545	12,841	(38,854)
Increase (Decrease) in deposit received	(1,607)	(8,148)	(1,449)	(13,617)
Increase (Decrease) in other current liabilities	(465)	(8,804)	(2,243)	(3,939)
Others	37	(24)	(1,844)	320
Cash received from interest and dividends	11,292	5,243	3,112	95,657
Cash paid for interest	(8,401)	(10,369)	(12,511)	(71,168)
Cash paid for income taxes	(17,367)	(14,002)	(11,550)	(147,119)
Net Cash Provided by Operating Activities	114,478	82,448	65,531	969,745
Cash Flows from Investing Activities				
Payment on purchase of securities	(3,745)	(9,717)	(2,204)	(31,726)
Proceeds from sales of securities	1,146	960	11,319	9,714
Payment on purchase of property, plant and equipment	(49,340)	(36,306)	(44,645)	(417,964)
Proceeds from sales of property, plant and equipment	3,662	15,797	16,865	31,028
Payment on long-term loans receivable	(451)	(4,958)	(4,105)	(3,822)
Collection of long-term loans receivable	6,507	3,045	4,955	55,127
Increase (Decrease) in short-term loans receivable	(26)	3,497	1,289	(225)
Increase (Decrease) in finance receivable of overseas subsidiary	—	16	396	—
Increase (Decrease) in fixed deposits	1,560	1,957	7,046	13,217
Proceeds from the transfer of investment	—	5,607	—	—
Others	6,925	(980)	1,286	58,664
Net Cash Used in Investing Activities	(33,760)	(21,080)	(7,795)	(285,986)
Cash Flows from Financing Activities				
Increase (Decrease) in short-term debt	(16,655)	(58,056)	(88,374)	(141,088)
Increase (Decrease) in commercial paper	—	—	(1,800)	—
Proceeds from long-term debt	17,100	38,008	275,789	144,853
Payment on long-term debt	(54,834)	(75,464)	(249,544)	(464,501)
Increase (Decrease) in bonds	—	40,000	(2,350)	—
Increase (Decrease) in bonds with warrant attached	—	(40,000)	100,000	—
Proceeds from minority shareholders	11,750	1,172	—	99,534
Payment on retirement of Preferred Stock	—	—	(60,000)	—
Payment on dividends made by parent company	(4,411)	(2,602)	—	(37,369)
Payment on dividends to minority shareholders	(1,975)	—	—	(16,732)
Others	(102)	(549)	(86)	(865)
Net Cash Used in Financing Activities	(49,128)	(97,493)	(26,366)	(416,169)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,512	4,544	(256)	21,285
Net Increase (Decrease) in Cash and Cash Equivalents	34,101	(31,581)	31,112	288,875
Cash and Cash Equivalents at Beginning of the Year	106,495	135,252	102,579	902,118
Increase (Decrease) in Cash and Cash Equivalents due to change in scope of consolidation	(233)	2,823	1,560	(1,974)
Cash and Cash Equivalents at End of the Year (Note 2)	¥ 140,363	¥ 106,495	¥ 135,252	$ 1,189,019

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting the Financial Statements

The accompanying consolidated financial statements of Isuzu Motors Limited ("the Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirement of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes and relevant notes have been added.

The yen amounts are rounded down in millions. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balances.

U.S. dollar amounts have been translated from Japanese yen for convenience only at the rate of ¥118.05= US$1, the approximate exchange rate prevailing on the Foreign Exchange Market on March 30, 2007. The translations should not be construed as a representation that Japanese yen have been or could be converted into U.S. dollars at that rate. The U.S. dollar amounts are then rounded down in thousands.

Certain reclassifications have been made in the 2006 and 2005 financial statements to conform to the presentation for 2007.

2. Summary of Significant Accounting Policies

a) Consolidation

The consolidated financial statements include the accounts of the Company and significant subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in main unconsolidated subsidiary and significant affiliated companies (15% to 50% owned) are accounted for by the equity method.

The differences at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries and in unconsolidated subsidiaries and affiliated companies accounted for under the equity method are, as a rule, amortized over periods of twenty years or less, after appropriate adjustments.

b) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate of the balance sheet date, and differences arising from the translation are included in the financial statements of income as a gain or loss. The Company translates the balance sheet accounts of foreign consolidated subsidiaries into Japanese yen at the exchange rate of the balance sheet date of each of those subsidiaries. Financial statement of income accounts of consolidated overseas subsidiaries are translated using the average exchange rate of the statement of income's period. Foreign currency translation adjustments are included in the foreign currency translation adjustments account and minority interests account in the balance sheet.

c) Investments

The accounting standard for financial instruments requires that securities be classified into three categories: marketable, held-to-maturity or other securities.

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

d) Inventories

Inventories of the Company are valued at cost using the weighted average method. Inventories of consolidated subsidiaries are principally valued at cost using the specific identification method.

e) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives. Depreciation of property, plant and equipment of few consolidated subsidiaries is calculated by declining balance method.

f) Software

Software used by the Company and its consolidated subsidiaries is amortized using the straight-line method, based on the estimated useful life as determined by the Company and its consolidated subsidiaries (generally 5 years).

g) Leases

Finance lease transactions, except for those which meet the conditions that the ownership of the lease assets is substantially transferred to the lessee, are accounted for on a basis similar to ordinary rental transactions.

h) Employees' Retirement Benefits

Employees' retirement benefits covering all employees are provided through an unfunded lump-sum benefit plan and a funded pension plan. Under the plans, eligible employees are entitled, under most circumstances, to severance payments based on compensation at the time of severance and years of service.

The Company and its domestic consolidated companies have adopted the Financial Accounting Standard for retirement benefits in Japan. In accordance with this standard, accrued employees' retirement benefits are provided mainly at an amount of projected benefit obligation and the fair value of the pension plan assets at the end of the balance sheet date. Prior service costs are being amortized as incurred by straight-line method over periods, which are shorter than the average remaining years of service of the eligible employees.

Actuarial gains or losses are amortized in the year following the year using the straight-lined method over the average of the remaining service lives of mainly 10 years commencing with the following periods, which are shorter than the average remaining years of service of the eligible employees.

(Additional Information)
On July 1, 2006, pension funds of several consolidated subsidiaries received permission from the Minister of Health, Labor and Welfare to be exempt from the benefits related to past employee service under the substitutional portion. Gain on this transition, ¥2,531 millions ($21,448 thousands), is included under Extraordinary Items.

Several consolidated subsidiaries have adopted the defined contribution pension plan for parts of the unfunded lump-sum benefit plans in July and October 2006. These adoptions were accounted for in accordance with the "Guidance on Accounting for Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Guidance No. 1). Gains and losses on these transitions, ¥157 millions ($1,330 thousands) gain and ¥192 millions ($1,629 thousands) loss, are included under Extraordinary Items, respectively.

i) Income Taxes

Income taxes are accounted for on an accrual basis. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax rate are recognized in income in the period that includes the enacted date.

j) Net Income per Share

Net income per share of common stock is calculated based upon the weighted average number of shares of common stock outstanding during each year.

Basis for the calculation of net income per share at the year ended March 31, 2007 is as follows:

	Millions of yen	Thousands of U.S. dollars
Net Income	¥ 92,394	$782,670
Less: Components not pertaining to common shareholders;		
Preferred dividend as distribution of profits	352	2,986
Net income pertaining to common stock	¥ 92,041	$779,683
Average outstanding shares:		
Common stock (share):	1,371,125,102	
Class IV preferred stock (share):	48,661,800	

k) Appropriation of Retained Earnings

The appropriation of retained earnings is recorded in the fiscal year in which such appropriation is approved by the Board of Directors or Shareholders.

l) Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Reconciliation for cash and cash equivalents at end of the year on the consolidated statements of cash flows for the years ended March 31, 2007 is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits on the consolidated balance sheets	¥ 134,136	$ 1,136,269
Time deposits with maturities exceeding three months	-591	-5,007
Bonds with maturities within three months	6,818	57,758
Cash and cash equivalents on the statement of cash flows	¥ 140,363	$ 1,189,019

m) Accounting Changes

Accounting Policy for Foreign Currency Translation of Principal Balance Sheets Accounts

The Company has translated balance sheets accounts and revenue and expense accounts of foreign consolidated subsidiaries into yen at the exchange rate prevailing on the date of the balance sheets of each of those subsidiaries. The Company has included translation adjustments in the foreign currency translation adjustment accounts of shareholders' equity and minority interest. While the Company continues to translate balance sheets accounts of foreign consolidated subsidiaries into yen using the exchange rate prevailing at the date of the balance sheet of each of those subsidiaries, it has translated, beginning this fiscal year, statement of income using the average exchange rate during the statement of income period. Translation adjustments are included in the foreign currency translation adjustments account and minority interest of shareholders' equity. The Company has adopted this new accounting policy, aiming to increase the accuracy of its foreign subsidiaries' financial results in the consolidated financial statements and to decrease the risks of short-term movements in foreign currencies. This adoption has decreased consolidated net sales by ¥53,641 millions ($454,392 thousands), operating income by ¥2,543 millions ($21,545 thousands), income before extraordinary items by ¥3,287 millions ($27,847 thousands), income before income taxes and minority interests by ¥3,379 millions ($28,624 thousands), and net income by ¥1,932 millions ($16,368 thousands), compared with the figures calculated using the exchange rate of the balance sheets date.

Accounting Standard for Presentation of Net Assets in the Balance Sheets

The Company and its domestic consolidated subsidiaries has adopted "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005) beginning this fiscal year. The total amount equivalent to the formerly presented shareholders' equity is ¥342,003 millions

($2,897,110 thousands).

In addition, preparation of the consolidated statement of changes in net assets has been required. Previously, the consolidated statements of shareholders' equity were prepared although it was not required in Japan. Certain reclassification has been made in the shareholders' equity and certain other items in the balance sheet for the year ended March 2006 and 2005. The consolidated statement of changes in net assets for the fiscal year 2006 and 2005 have been prepared in accordance with the new accounting standards.

3. Securities

Fair value of securities of other securities as of March 31, 2007 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars		
2007 (as of March 31, 2007)	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	¥ 10,245	¥ 29,252	¥ 19,006	$ 86,792	$ 247,799	$ 161,006
Other:						
Corporate bonds	—	—	—	—	—	—
Investment trusts	10	10	—	89	89	—
Total	¥ 10,256	¥ 29,263	¥ 19,006	$ 86,882	$ 247,888	$ 161,006
Unrealized loss:						
Stocks	¥ 2,439	¥ 2,063	¥ (376)	$ 20,663	$ 17,477	$ (3,185)
Total	¥ 2,439	¥ 2,063	¥ (376)	$ 20,663	$ 17,477	$ (3,185)

	Millions of yen		
2006 (as of March 31, 2006)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥ 10,145	¥ 32,558	¥ 22,412
Other:			
Corporate bonds	—	—	—
Investment trusts	19	19	—
Total	¥ 10,164	¥ 32,577	¥ 22,412
Unrealized loss:			
Stocks	¥ 2,325	¥ 2,088	¥ (236)
Total	¥ 2,325	¥ 2,088	¥ (236)

Proceeds from sales of securities classified as other securities amounted to ¥274 millions ($2,328 thousands) with an aggregate gain on sales of ¥126 millions ($1,071 thousands) and an aggregate loss on sales of ¥79 millions ($670 thousands) for the year ended March 31, 2007. Non-marketable securities classified as other securities at March 31, 2007 amounted to ¥1,966 millions ($16,661 thousands).

4. Long-Term Debt

Long-term debt at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
1.59% straight bonds due 2010	¥ 10,000	¥ 10,000	$ 84,709
1.24% straight bonds due 2010	20,000	20,000	169,419
1.55674% straight bonds due 2012	10,000	10,000	84,709
1.579% straight bonds due 2012	10,000	10,000	84,709
3.3% Guaranteed debentures of Isuzu Motors Co., (Thailand) Ltd. No.1/2547 due 2007	—	2,870	—
Bonds with warrant attached	—	—	—
Loans	218,526	256,077	1,851,130
Less: current portion	49,863	51,259	422,388
	¥ 218,663	¥ 257,688	$ 1,852,294

The annual maturities of long-term debt at March 31, 2007 are summarized as follows:

Planned maturity date	Millions of yen	Thousands of U.S. dollars
Over 1 year within 2 years	¥ 49,028	$ 415,323
Over 2 years within 3 years	58,607	496,462
Over 3 years within 4 years	56,595	479,420
Thereafter	54,433	461,087
Total	¥ 218,663	$ 1,852,294

The assets pledged as collateral for certain loans and other liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥ 280	¥ 111	$ 2,374
Notes and accounts receivable	375	2,471	3,183
Building and structures	51,729	51,309	438,197
Machinery and equipment	56,915	44,581	482,131
Land	184,311	181,218	1,561,296
Securities	—	3,137	—
Others	33	37	285

5. Retirement Benefit Obligation and Pension Plan

The Company has defined benefit plans, i.e., corporate pension fund and lump-sum payment plans. The consolidated subsidiaries have defined benefit plans, i.e., corporate pension fund, welfare pension fund plans, tax-qualified pension funds and lump-sum payment plans. Several of the domestic consolidated subsidiaries have defined contribution pension plans for parts of the unfunded lump-sum benefit plans.

(1) Retirement benefit obligation as of March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retirement benefit obligation at end of the year	¥ (118,660)	¥ (117,305)	$ (1,005,168)
Fair value of plan assets	39,416	32,624	333,898
Accrued retirement benefits obligation on balance sheets	57,320	62,257	485,562
Prepaid pension cost	(1,013)	(26)	(8,582)
Net	¥ (22,935)	¥ (22,450)	$ (194,289)
(Details on net amount)			
Unrecognized actuarial net loss	¥ (23,983)	¥ (22,309)	$ (203,165)
Unrecognized prior service cost	¥ 1,047	¥ (140)	$ 8,876
Net	¥ (22,935)	¥ (22,450)	$ (194,289)

The substitutional portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

(2) Retirement benefit cost for the year ended March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥ 4,122	¥ 3,975	$ 34,920
Interest cost on projected benefit obligation	2,562	2,041	21,710
Expected return on plan assets	(1,088)	(383)	(9,222)
Amortization of actuarial net loss (gain)	3,732	3,578	31,615
Amortization of prior service cost	236	1,279	2,000
Net retirement benefit cost	¥ 9,564	¥ 10,491	$ 81,024
Gains on return of benefits related to past employee service under the substitutional portion	¥ (2,531)	—	$ (21,448)
Gain and loss on adoption of defined contribution pension plan, net	35	—	299
Other	73	—	624
Total	¥ 7,141	—	$ 60,499

(3) Actuarial assumptions used to determine costs and obligations for retirement.

	2007	2006
Discount rate	2.3%	2.3%
Expected rate of return on plan assets	1.5–2.5%	1.5–2.5%
Recognition period of prior service cost	1–10 years	1 year
Amortization period of actuarial net loss (gain)	10–19 years	10 years
Amortization period of net obligation arising from accounting changes	1 year	1 year

6. Income Taxes

Accrued income taxes in the balance sheets include corporation tax, inhabitants taxes and enterprise tax. Income taxes in the consolidated statement of income include corporation tax and inhabitants taxes and enterprise tax.

The significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Accrued retirement benefits	¥ 21,729	¥ 21,191	$ 184,071
Loss from revaluation of investments and Allowance for doubtful accounts	15,439	47,158	130,787
Accrued expenses	12,637	14,535	107,052
Accrued bonus cost	5,415	4,841	45,874
Loss from inventory write off	1,185	1,489	10,044
Loss carried forward	75,291	26,460	637,790
Unrealized profit eliminated in consolidation etc.	4,900	4,849	41,513
Others	13,166	45,385	111,530
Total gross deferred tax assets	149,765	165,911	1,268,665
Valuation allowance	(102,552)	(125,844)	(868,724)
Total deferred tax assets	47,213	40,066	399,940
Deferred tax liabilities			
Reserve for deferred income tax of fixed assets	(748)	(981)	(6,341)
Depreciation adjustment of foreign consolidated subsidiaries	(4,209)	(4,381)	(35,658)
Others	(583)	(702)	(4,942)
Total deferred tax liabilities	(5,541)	(6,064)	(46,942)
Net deferred tax assets	¥ 41,671	¥ 34,002	$ 352,998
Deferred tax liabilities:			
Reserve for deferred income tax of fixed assets	1,679	1,700	14,226
Unrealized holding gain on other securities	5,592	6,987	47,371
Others	2,273	767	19,259
Net deferred tax liabilities	¥ 9,545	¥ 9,455	$ 80,858

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2007 and 2006 are as follows:

	2007	2006
Normal effective statutory tax rate	40.0%	40.0%
Net Valuation allowance	(28.2)	(22.1)
Different tax rates applied to foreign subsidiaries	(3.3)	(3.8)
Loss for this fiscal year by consolidated subsidiaries	0.5	7.3
Equity in earnings of unconsolidated subsidiaries	(4.6)	(5.4)
Additional income tax	—	2.0
Foreign withholding tax	1.1	0.6
Others	1.7	0.8
Effective tax rate after adoption of tax-effect accounting	7.3	19.4

7. Shareholders' Equity

Changes in the numbers of shares issued and outstanding during the years ended March 31, 2007 and 2006 are as follows:

Common stock outstanding

	2007	2006
Balance at the beginning of the year	1,141,289,786	1,073,619,832
Increase due to convertible stocks converted	555,555,553	—
Increase due to stock acquisition right	—	67,669,954
Balance at the end of the year	1,696,845,339	1,141,289,786

Treasury stock outstanding

	2007	2006
Balance at the beginning of the year	1,258,960	1,112,221
Increase due to purchase of odd stocks	233,729	146,739
Balance at the end of the year	1,492,689	1,258,960

8. Preferred Stock

The Company issued the preferred stock (Class-I, Class-II, Class-III and Class-IV) in the fiscal year 2003. The Company has retired Class-II preferred stock in fiscal year 2005. In the fiscal year 2007, the Company issued common stocks in return of acquisition Class-I Preferred Stock. Furthermore, the Company retired the acquired Class-I Preferred Stock based on the resolution of Board of Directors Meeting held on March 29, 2007.

No other dividends of surplus than specified in a) (1) and b) (1) respectively shall be paid to preferred shareholders or to preferentially registered stock pledgees. When the amount of surplus to be paid to the preferred shareholders or preferentially registered stock pledgees in a given business year does not reach the amount of the preferred dividend, the shortfall will not be carried over to the next business year for accumulation.

When the residual property of the Company is to be distributed, ¥800 per share of the preferred stocks shall be paid to the preferred shareholders or to the preferentially registered stock pledgees before the ordinary shareholders or the ordinarily registered stock pledgees.

No other residual property than the above shall be distributed to the preferred shareholders or to the preferentially registered stock pledgees.

The Company can always purchase preferred stocks and cancel them according to law. The preferred shareholders shall not have a voting right at the General Meeting of Shareholders.

The Company shall not make the consolidation or division of preferred stocks unless otherwise stipulated by law.

The Company shall not give the rights to receive allotments of offered shares or to receive allotments of offered share warrants to the preferred shareholders.

Payment of dividends and distribution of residual property to each class of the preferred stock shall be made according to the same order of priority.

a) Outline of the Issue of Class-III Preferred Stock

(1) Preferred Dividend

Class-III preferred dividend shall be calculated according to the following formula. Class-III preferred dividend shall be calculated to four places of decimals of less than yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class-III preferred dividend will be set at ¥80.

Class-III preferred dividend=¥800× (Japanese Yen TIBOR+1.500%)

Any portion of dividend which exceeds the amount of the Class-III preferred stocks shall not be paid to Class-III preferred shareholders and Class-III preferentially registered stock pledgees.

(2) Right of Claim for Acquisition

(i) Period for Claiming Acquisition

Period for claiming the acquisition of the Class-III preferred stocks shall be from October 1, 2010 to September 30, 2027.

(ii) Conditions for Acquisition

Shareholders of the Class-III preferred stocks can claim the common stocks of the Company to be issued, whose number is obtained from the equation (iii) below, in exchange for the Company's acquiring the Class-III preferred stocks.

(a) Initial Acquisition Price

The average price of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from 45th business day preceding the first day of period for claiming acquisition (calculated to the first decimal point and then rounded up the first decimal point and then rounded up.)

(b) Revision of Acquisition Price

Acquisition price is revised to the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from 45th business day preceding the date of revision of acquisition price (hereinafter referred to as actual value calculation period respectively) on October 1 every year from October 1, 2011 to September 30, 2027 (hereinafter referred to as the date of revision of acquisition price respectively). (Revised acquisition price shall be calculated to the first decimal point and then rounded up. In addition, if during the actual value calculation period, a revision specified in (c) below becomes necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c).). However, after the above calculation, when the revised acquisition price is below the price equal to 50% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor acquisition price and revised according to (c).), the floor acquisition price shall be treated as the revised acquisition price. Also after the above calculation, when the revised acquisition price is above the price equal to 200% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as the maximum acquisition price and revised according to (c).), the maximum acquisition price shall be treated as the revised acquisition price.

(c) Adjustment of Acquisition Price

After the issue of Class-III preferred stocks, if any of the followings applies, the acquisition price shall be adjusted by the formula below (hereinafter referred to as formula for the adjustment of acquisition price). In this formula, figures shall be calculated to the first decimal point and then rounded up.

$$\text{Adj. acquisition price} = \text{Pre-adjust acquisition price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new and disposal common stocks} \times \text{Amount paid per share}}{\text{Market value per share}}}{\text{No. of issued common stocks} + \text{No. of new and disposal common stocks}}$$

(iii) The Number of Common Stocks to be issued in exchange for the Acquisition of the Class-III Preferred Stocks

The number of common stocks of the Company to be issued in exchange for the acquisition of the Class-III preferred stocks shall be as follows.

$$\text{No. of common stocks issued in exchange for the acquisition of the Class-III preferred stocks} = \frac{\text{Total value equal to paid-in amount of the Class-III Preferred Stocks submitted by Shareholders asking for Acquisition}}{\text{Acquisition Price}}$$

(3) Mandatory Acquisition
The Class-III preferred stocks which are not requested for acquisition during the period in which a request for acquisition is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on the next day of the last day of the said period (hereinafter referred to as the base date of Mandatory acquisition) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class-III preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of Mandatory acquisition.

When the average price is lower than the floor acquisition price, the Class-III preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-III preferred stock by the floor acquisition price. Also, when the average price is more than the maximum acquisition price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-III preferred stocks by the maximum acquisition price.

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment specified in the Article 234 of the Corporation Law.

b) Outline of the Issue of Class-IV Preferred Stock

(1) Preferred Dividend
Amount of preferred dividend per share (hereinafter referred to as "Class-IV preferred dividend") shall be calculated according to the following formula. Class-IV preferred dividend shall be calculated to four places of decimals of less than yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class-IV preferred dividend will be set at ¥80.

Class-IV preferred dividend = ¥800× (Japanese Yen TIBOR+2.000%)

When there is a residual profit after the Class-IV preferred dividend is paid, dividend of profits can be paid to ordinary shareholders or ordinarily registered stock pledgees it becomes equal to Class-IV preferred dividend. Also when dividend of profits is paid concerning the residual profit, the same amount of money per stock shall be paid to the Class-IV preferred shareholders or preferentially registered stock pledgees and ordinary shareholders or ordinarily registered stock pledgees.

(2) Right of Claim for Acquisition
(i) Period for Claiming Acquisition
Period for claiming the acquisition of the Class-IV preferred stocks shall be from October 1, 2012 to September 30, 2032.

(ii) Conditions for Acquisition
Shareholders of the Class-IV preferred stocks can claim the common stocks of the Company to be issued, whose number is obtained from the equation (iii) below, in exchange for the Company's acquiring the Class-IV preferred stocks.

(a) Initial Acquisition Price
The average price of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from 45th business day preceding the first day of period for claiming acquisition (calculated to the first decimal point and then rounded up.)

(b) Revision of Acquisition Price
Acquisition price is revised to the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from 45th business day preceding the date of revision of acquisition price (hereinafter referred to as actual value calculation period respectively) on October 1 every year from October 1, 2013 to September 30, 2032 (hereinafter referred to as the date of revision of acquisition price respectively). (Revised acquisition price shall be calculated to the first decimal point and then rounded up. In addition, if during the actual value calculation period, a revision specified in (c) below becomes necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c).). However, after the above calculation, when the revised acquisition price is below the price equal to 50% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor acquisition price and revised according to (c).), the floor acquisition price shall be treated as the revised acquisition price. Also after the above calculation, when the revised acquisition price is above the price equal to 200% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as the maximum acquisition price and revised according to (c).), the maximum acquisition price shall be treated as the revised acquisition price.

(c) Adjustment of Acquisition Price

After the issue of Class-IV preferred stocks, if any of the followings applies, the acquisition price shall be adjusted by the formula below (hereinafter referred to as formula for the adjustment of acquisition price). In this formula, figures shall be calculated to the first decimal point and then rounded up.

$$\text{Adj. acquisition price} = \text{Pre-adjust acquisition price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new and disposal common stocks} \times \text{Amount paid per share}}{\text{Market value per share}}}{\text{No. of issued common stocks} + \text{No. of new and disposal common stocks}}$$

(iii) The Number of Common Stocks to be issued in exchange for the acquisition of the Class-IV Preferred Stocks

The number of common stocks of the Company to be issued in exchange for the acquisition of the Class-IV preferred stocks shall be as follows.

$$\begin{gathered}\text{No. of common stocks issued in exchange for}\\ \text{the acquisition of the Class-IV preferred stocks}\end{gathered} = \frac{\begin{gathered}\text{Total value equal to paid-in amount of the Class-IV Preferred Stocks}\\ \text{submitted by Shareholders asking for Acquisition}\end{gathered}}{\text{Acquisition Price}}$$

(3) Mandatory Acquisition

The Class-IV preferred stocks which are not requested for acquisition during the period in which a request for acquisition is possible shall become common stocks on the day determined by the Board of Directors Meeting which is held on the next day of the last day of the said period (hereinafter referred to as the base date of Mandatory acquisition) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class-IV preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange. during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of Mandatory acquisition.

When the average price is lower than the floor acquisition price, the Class-IV preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-IV preferred stock by the floor acquisition price. Also, when the average price is more than the maximum acquisition price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-IV preferred stocks by the maximum acquisition price.

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment specified in the Article 234 of the Corporation Law.

9. Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on 31 March, 1999, the land used for business owned by the Company and its domestic consolidated subsidiaries and domestic affiliates was revalued, and the unrealized gain on the revaluation of land, net of deferred tax, was reported as "Variance of Land Revaluation" within Net Assets, and the relevant deferred tax was reported as "Deferred Tax Liabilities related to Land Revaluation" in Liabilities for the fiscal year ended 31 March, 2007.
Revalued Date: 31 March, 2000

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the land used for business owned by some of the Company's non-consolidated subsidiaries and affiliates accounted for by the equity method were revalued.
Revalued Date: 31 March, 2002

The method of revaluation is as follows:

Under article 2-4 of the Enforcement Ordinance on Law concerning Revaluation of Land, the land price for the revaluation is determined based on the official notice prices assessed and published by the Commissioner of National Tax Agency of Japan as basis for calculation of Landholding Tax as stipulated in article 16 of the Landholding Tax Law. Appropriate adjustments for the shape of land and the timing of the assessment has been made. The land price for the revaluation for some of the land is based on land appraisal.

The difference of the total fair value, revalued based on the article 10 of the Enforcement Ordinance on Law concerning Revaluation of Land, of business land for the end of this fiscal year and the total book price for the business land revalued was ¥56,332 millions ($477,192 thousands).

10. Contingent Liabilities

Contingent liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Guarantees of bank loans	¥ 2,417	¥ 2,647	$ 20,478
Export bills discounted	159	99	1,349
Notes endorsed	—	—	—
Notes discounted	—	725	—

11. Lease Transactions

(1) Finance lease transactions, except for those which meet the conditions that the ownership of the leased assets is substantially transferred to the lessee, is as follows.

a) As a lessee

i) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2007 and 2006 concerning the finance lease assets:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition Costs	¥ 39,187	¥ 35,817	$ 331,959
Accumulated Depreciation	20,417	20,121	172,953
Net Balance	18,770	15,695	159,006

ii) Future payment obligations of finance lease expenses as of March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Portion due within one year	¥ 8,380	¥ 6,182	$ 70,992
Thereafter	11,094	10,742	93,977
Total	19,474	16,924	164,969

Amounts equivalent to interest expenses are calculated by the interest method based on an excess of the aggregate sum of lease payments over amounts equivalent to acquisition costs.

(2) Operating lease is as follows.

a) As a lessee

Future payment obligations of operating lease expenses as of March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Portion due within one year	¥ 1,047	¥ 820	$ 8,871
Thereafter	1,402	975	11,883

b) As a lessor

Future receivable income of operating lease commitment as of March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Portion due within one year	¥ 80	¥ 46	$ 685
Thereafter	—	46	—

12. Impairment Loss on Fixed Assets

Impairment loss on fixed assets recognized in the consolidated financial statements for the fiscal year ended March 31, 2007 is as follows:

Location	Usage	Type	Millions of yen	Thousands of U.S. dollars
Ayase-shi, Kanagawa prefecture	Business Assets	Buildings and other	¥ 378	$ 3,209
Iwafune-cho, Shimotsuga-gun, Tochigi prefecture	Business Assets	Buildings	282	2,393
Ohira-machi, Shimotsuga-gun, Tochigi prefecture	Idle Assets	Machinery	5	48
Fujisawa-shi, Kanagawa prefecture	Idle Assets	Buildings, Machinery and other	220	1,869
Towada-shi, Aomori prefecture	Idle Assets	Land	13	110
Shimanto-shi, Kochi prefecture	Idle Assets	Land and Machinery	72	614
Urazoe-shi, Okinawa prefecture	Idle Assets	Buildings	23	196
Fukuoka-shi, Fukuoka prefecture and others	Idle Assets	Machinery	4	34
		Total	¥ 1,000	$ 8,475

As a general rule, assets were grouped into business assets, idle assets and assets for rent. As for idle assets and assets for rent were individually grouped by each item. There were no signs of necessity of impairment for assets for rent. However, for idle assets that were in need for impairment due to the fall in land prices and for business assets that had been decided to be disposed, carrying amount was reduced to the amount recoverable.

As for business assets that had been decided to be disposed, impairment loss is recognized at the point of time when the decision is made on the disposal.

Breakdown of the impairment loss by asset type is as follows:

Type	Millions of yen	Thousands of U.S. dollars
Land	¥ 76	$ 643
Buildings and structures	687	5,827
Machinery and equipment	227	1,925
Other	9	79

The recoverable amount of an asset is estimated based on the net amount that the asset could be sold (net selling amount) for land and buildings, the net selling amount is estimated by appraisal amount based on real estate appraisal standards.

13. Subsequent Events

a) The following appropriations of surplus of the Company were approved at the General Meeting of Shareholders held on June 28, 2007:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends		
Preferred Stock (ClassIII) (¥14.104 = U.S.$0.119 per share)	352	2,981
Preferred Stock (ClassIV) (¥18.104 = U.S.$0.153 per share)	452	3,828
Common Stock (¥4.000 = U.S.$0.033 per share)	6,782	57,450

b) The agenda on the acquisition of Company's Class-III and Class-IV Preferred Stocks as treasury stock was approved at the General Meeting of Shareholders held on June 28, 2007. Following the General Meeting of Shareholders the following on the acquisition price and others based on Article 157-1 of the Corporation Law was resolved at the Board of Directors Meeting held on the same day.

(1) Reasons for Acquisition
To avoid latent dilution of the common stocks and to ease the burden of payment of dividends.

(2) Types and Number of Shares to be Acquired

Class-III Preferred Stock
Up to 25,000,000 shares
(100% of the Class-III Preferred Stock issued and outstanding)

Class-IV Preferred Stock
Up to 25,000,000 shares
(100% of the Class-IV Preferred Stock issued and outstanding)

(3) Details of types of cash and equivalent to be delivered in exchange per share

Type of Cash and Equivalent: Cash
Amount: ¥800 ($6.776)

(4) Total Amount of cash and equivalent to be delivered in exchange with the shares

Total Amount: Up to ¥40,000 millions ($338,839 thousands)

(5) Application Deadline for Transfer of Shares
July 10, 2007

14. Segment Information

(1) The business segment information for the company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006

As net sales, operating income and total assets from the automotive business of the Company and its consolidated subsidiaries constituted more than 90% of the consolidated totals for the year ended March 31, 2007 and 2006, the business segment information for fiscal year 2007 and 2006 is not shown.

(2) The geographical segment information for the company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 were as follows:

	Japan	North America	Asia	Other	Total	Eliminations	Consolidated
Year ended March 31, 2007	Millions of yen						
Sales to third parties	1,034,727	161,294	429,751	37,152	1,662,925	—	1,662,925
Inter-area sales and transfers	167,645	7,429	44,795	1,746	221,617	(221,617)	—
Total sales	1,202,372	168,723	474,546	38,899	1,884,542	(221,617)	1,662,925
Operating expenses	1,123,885	163,742	452,434	37,416	1,777,479	(221,534)	1,555,944
Operating income	78,487	4,981	22,112	1,482	107,063	(82)	106,980
Total assets	989,356	66,259	171,965	16,755	1,244,337	(12,156)	1,232,181
	Thousands of U.S. dollars						
Sales to third parties	8,765,163	1,366,323	3,640,416	314,716	14,086,620	—	14,086,620
Inter-area sales and transfers	1,420,119	62,934	379,464	14,798	1,877,316	(1,877,316)	—
Total sales	10,185,283	1,429,257	4,019,881	329,514	15,963,936	(1,877,316)	14,086,620
Operating expenses	9,520,415	1,387,060	3,832,568	316,958	15,057,002	(1,876,614)	13,180,388
Operating income	664,867	42,197	187,312	12,556	906,933	(702)	906,231
Total assets	8,380,828	561,286	1,456,720	141,932	10,540,767	(102,975)	10,437,792

	Japan	North America	Asia	Other	Total	Eliminations	Consolidated
Year ended March 31, 2006	Millions of yen						
Sales to third parties	967,149	165,309	413,259	36,138	1,581,857	—	1,581,857
Inter-area sales and transfers	150,704	6,951	33,321	696	191,673	(191,673)	—
Total sales	1,117,853	172,260	446,581	36,834	1,773,531	(191,673)	1,581,857
Operating expenses	1,054,511	166,841	425,944	35,364	1,682,661	(191,466)	1,491,195
Operating income	63,342	5,419	20,637	1,470	90,869	(207)	90,661
Total assets	960,741	67,577	139,143	14,682	1,182,146	(13,449)	1,168,697

(3) Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than export to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2007 and 2006 were as follows:

	North America	Asia	Other	Total
Year ended March 31, 2007	Millions of yen			
Overseas sales	175,379	456,408	336,506	968,294
Consolidated net sales	—	—	—	1,662,925
Overseas sales per consolidated net sales	10.5%	27.4%	20.2%	58.2%
	Thousands of U.S. dollars			
Overseas sales	1,485,637	3,866,227	2,850,542	8,202,407
Consolidated net sales	—	—	—	14,086,620
Overseas sales per consolidated net sales	10.5%	27.4%	20.2%	58.2%

	North America	Asia	Other	Total
Year ended March 31, 2006	Millions of yen			
Overseas sales	183,143	442,181	271,539	896,864
Consolidated net sales	—	—	—	1,581,857
Overseas sales per consolidated net sales	11.6%	28.0%	17.2%	56.7%

Report of Independent Auditors

To The Board of Directors
Isuzu Motors Limited

We have audited the accompanying consolidated balance sheets of Isuzu Motors Limited and consolidated subsidiaries as of March 31, 2007, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Isuzu Motors Limited and consolidated subsidiaries at March 31, 2007, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2, Isuzu Motors Limited, its consolidated domestic subsidiaries and its equity method-applied domestic affiliates adopted a new accounting standard for impairment accounting for fixed assets as adoption of the standard was permitted from the fiscal year ended March 31,2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon

June 28, 2007
Tokyo, Japan